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Local Authorities Pension Plan Board

Annual Report 1986

Alberta

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THE LOCAL AUTHORITIES PENSION PLAN BOARD

1203, Legislature Annex, 9718 - 107 Street, Edmonton, Alberta, Canada T5K 1E4

The Honourable Dick Johnston
Provincial Treasurer
224 Legislature Building
Edmonton, Alberta
T5K 2B6

Dear Mr. Johnston:

I have the honour to submit to you the first report of the Local Authorities Pension Plan Board for the period November 1, 1985 to December 31, 1986.

Case summaries and summaries of recommendations made are included to provide an overall view of our activities during the year. Comments made on all aspects of the plan have been presented with the intention of strengthening the plan, with all participants in mind.

We appreciate the cooperation of the departmental staff, your office and the staff of the Chairman's office in our first year of operation.

Yours truly,

J. E. Faries, FCIS, PAdm.
Chairman

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1986

INTRODUCTION

The Local Authorities Pension Plan Board came into being on November 1, 1985. The Board established procedures and policies to assist with its operation. To date the procedures have worked well.

Alberta was one of the first jurisdictions in Canada to establish an independent body to deal with grievances of plan members who feel aggrieved by a decision made on their account. The procedure allows the member to seek a remedy and receive a hearing by his peers. It provides an inexpensive alternative, to Court proceedings, to have a matter adjudicated. Many jurisdictions across Canada have applauded and expressed interest in this procedure.

APPEALS AND APPLICATIONS

Of the enquiries received by this office relating to the Local Authorities Pension Plan 44 were concluded. Several cases were assisted and settled at the investigation level. The majority of the cases related to time limits under the plan, with the balance divided between other aspects of the plan. Some plan members expressed concern about the changes to the Act. These included removal of the mandatory retirement age and the "spousal protection clause". Concern regarding the spousal protection clause related to the "interference of Government" in the personal financial planning of individuals.

The hearings of the Board are informal to avoid undue stress on the appellants. Where the individual wishes to appear, or be represented, at a hearing, the Board has authorized the Chairman to pay "reasonable expenses". The purpose is to ensure that all plan members have the same opportunity to present their cases, irrespective of their place of residence.

All hearings to date have been held in the Edmonton area. The Board has agreed to travel to other parts of the province if the case load so warrants.

PLAN DEVELOPMENT

Some modification of the plan is desirable to meet the goals of pension reform in Canada and to ensure the ongoing financial stability of the program. The private sector initiatives communicated by the Minister of Labour, in the Employment Pension Plans Act, exceed in some areas the provisions of this plan. It may be appropriate at this time to review the provisions of the Local Authorities Pension Plan with a view to modifying certain benefits and incorporating others to comply with the direction given to the private sector.

LIABILITIES AND COSTS

Alberta Treasury commissioned an independent actuarial valuation of the six government administered pension plans as at March 31, 1985. The valuation results were presented to the Board in May 1986 by the actuary and Treasury representatives.

The estimated accrued liabilities of all six plans was $6,443,214,000. These liabilities compare to Pension Fund assets of $2,569,925,000 leaving an unfunded liability of $3,873,289,000 as at March 31, 1985. The estimated accrued liability of the Local Authorities Pension Plan was $2,684,007,000.

The normal actuarial cost of the Local Authorities Pension Plan, as a percentage of payroll, was 12.7% using the attained age actuarial cost method. Using the more common unit credit actuarial cost method, the cost would be approximately 10.5% of payroll.

In comparison to these costs employee statutory contributions are currently 3.85% of salary up to the year's maximum pensionable earnings (YMPE) and 5.5% of salary above the YMPE while Local Authorities are required by legislation to contribute 1% more than the employees. Therefore, total employee and employer statutory contributions are approximately 10.35% of payroll for 1986. Under the scheduled increases, statutory contributions will equal approximately 11.62% of payroll in the year 1989.

The Board considers that the assumptions and methods used in the recent valuation are too conservative thereby producing an artificially high cost of current service. It is important that a realistic set of assumptions and the unit credit actuarial method be used.

In reviewing the Actuarial Report the Board determined that scheduled contribution increases will significantly deal with the shortfall in the current service contributions based on the unit credit actuarial method.

COST OF LIVING ADJUSTMENTS

The Local Authorities Pension Plan Board has taken a position that, since current service contribution increases are based on an actuarial report that includes an assumption that 75% of CPI will be paid, the formula providing the adjustments should be encoded in legislation.

ADMINISTRATION

During 1986 the Treasury Department commissioned a "Communication Study" and we look forward to receiving a copy of the report in order to consider our recommendations on this matter.

Employer Manuals have been developed by Payroll and Pensions that provide a good source of information for plan administrators at the employer level. We continue to encourage workshops and development of manuals to assist in training staff of the various local authorities.

THE BOARD

The Local Authorities Pension Plan Board was established on the proclamation of the Local Authorities Pension Plan Act on November 1, 1985. The current Board consists of 3 employee representatives, 2 employer representatives, 1 Government representative and the Chairman. Members as at December 31, 1986 are as follows:

J. E. Faries

Mr. Faries was appointed Chairman effective November 1, 1985. He brings to the Board considerable background in pension policy and administration. He served for over fifteen years as Director of the Pension Administration until December 31, 1979. Currently he holds several senior positions on other boards and community organizations. His term of office on the Board expries April 1, 1988.

A. J. (Chip) Collins

"Chip" Collins served as Deputy Provincial Treasurer from 1972 until his retirement in 1984. Mr. Collins was appointed a Board member and Vice Chairman of the Board effective November 1, 1985. He brings to the Board extensive financial and administrative experience as well as senior public service experience. His term expires April 1, 1987.

K. R. Balkwill

Mr. Balkwill was appointed to the Board on November 1, 1985. He became a union representative and union business agent in 1975 with CUPE Local 30 in the City of Edmonton. His interest in employee matters, benefits and security led him to further his knowledge with the pension and benefit plans in general. He attained a Personnel Administration Certificate to further enable himself to effectively deal with all matters of labour relations and employee benefits. His term expires April 1, 1987.

A. G. Bruckner

Mr. Bruckner was appointed to the Board effective November 1, 1985. He worked as an Automotive Mechanic with Calgary Transit and has held various positions with the Amalgamated Transit Union and Calgary Civic Employees Benefit Society. He is now full-time Financial Secretary-Treasurer/Business Agent with ATUL 583. His term expires April 1, 1988.

B. Orieux

Mrs. Orieux was appointed to the Board on April 29, 1986, as representative of Alberta Association of Registered Nurses. She graduated with distinction from the University of British Columbia with a Bachelor of Science in Nursing. She has had a continuous professional career, reflecting experience in clinical nursing at both the staff and administrative levels in hospitals; and has been nurse-in-charge of a branch of V.O.N. Mrs. Orieux is currently employed as a Community Health Genetics Associate in the Alberta Heredity Diseases Program. She is also an active member in the community, notably an initiator of a Parent/Teacher/Student Advisory Council; a representative to a Community Quality of Life Steering Committee; and a volunteer to the Community Library. Her term on the Board expires April 1, 1988.

A. Womack

Mr. Womack was appointed to the Board on April 29, 1986, as a representative of the Alberta Urban Municipalities Association. A Calgarian for 30 years, Mr. Womack is originally from Great Britain. During the Second World War he was a fighter pilot with the Royal Navy in the Mediterranean and North Atlantic and was awarded the Distinguished Service Cross. A chartered accountant, he articled with the London firm of Touche Ross & Co. Since emigrating to Canada in 1955 he has held a variety of positions including that of Commissioner of Finance and Administration with the City of Calgary until the fall of 1986, when he joined *OCO '88* . His term on the Board expires April 1, 1988.

K. Elliott

Mr. Elliott was appointed to the Board on April 29, 1986, as a representative of the Alberta Hospital Association. Mr. Elliott was raised and educated in Saskatchewan. His post secondary education included Business Administration and Diploma in Hospital Organization and Management. He has held positions as an Accountant for Saskatchewan Power Corporation, Regina, Assistant Administrator at the Lethbridge Municipal Hospital, and Associate Executive Director, Alberta Hospital Association, Edmonton. Mr. Elliott resigned on December 31, 1986.

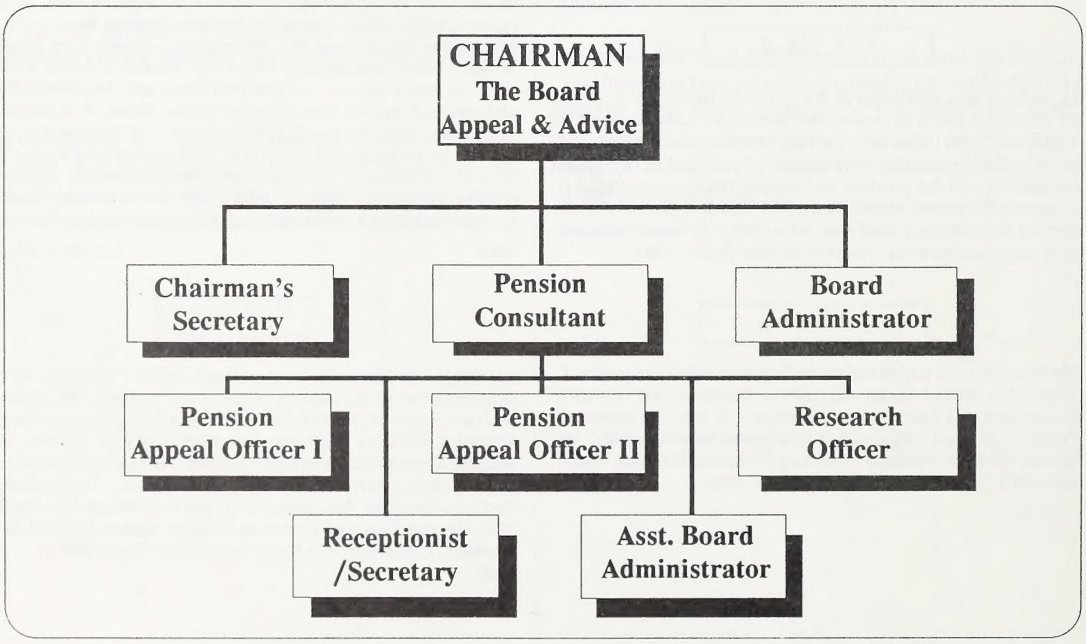
ROLE

The role of the Board, as outlined in the legislation, is an appeal and advisory body. In its appeal function an attempt is made to ensure that a person is treated in accordance with the rules of natural justice. This is important to plan members, since they no longer have direct input to the administration of the plan through their representatives on the Board. It is essential that, in acting as an appeal body, all aspects of the case are heard. The decision is then made on the basis of evidence presented. Each individual case is considered on its own merits, keeping in mind that the purpose of pension legislation is to provide a benefit to the member. As with the interpretation of all remedial legislation the "benefit of the doubt" is given to the party for whom the benefit was intended. The Board provides an equilibrium between administrative practice and the rights of the individual member.

In its advisory role the Board provides advice to the Minister. Board members by virtue of their knowledge and experience provide valuable input to the decision making process. The Board consists of employee, employer and government representatives and its recommendation is usually a consensus taking all sides of the question into account.

STAFF

There is a small staff that assists the Board with its responsibilities by researching and developing information for consideration. These individuals provide advice on actuarial, legal and industry norms for consideration.



APPEAL PROCEDURE

Under the legislation the Board is responsible to hear appeals registered by a party who is aggrieved by a decision of the Minister. The Board authorized the issuance of a pamphlet providing guidelines for appellants.

A person can appeal any decision that affects the rights to which he may be entitled under the Pension Plan.

A partial list of issues which may be appealed are as follows:

Participation	Retirement
Re-employment	Selection of Options
Contributions	Disability
Termination Rights	Transfers
Pensionable Service	Early Retirement
Beneficiaries	Determination of "Spouse"
Prior Service	Status
Time Limits	Deferred Benefits
Benefits	Survivor Benefits
Pension Choices	Death Benefits

A "Notice of Appeal" form has been developed and approved by the Minister to be used by a person registering an appeal. The form is made available to the member through the pension administration office or the office of the Chairman of the Pension Board. The form is a self-addressed and stamped document designed to make the registration of an appeal as simple as possible. The person is required to register an appeal within 30 days of the date of being informed of the decision made by the Minister. [The Board has authority to extend the 30 day limit where in its opinion the circumstances warrant.]

The Board has a competent staff to investigate and prepare documentation for the Board on each case. The investigating officer is authorized to provide assistance to the appellant in preparation of the case. A limited amount of counselling is done in advising the member what facts should be gathered and how they should be presented.

The member may be advised of previous decisions made by the Board on similar cases. This allows the member to assess his own appeal and is then able to make an informed decision to proceed or withdraw it.

In order to ensure that the parties to the appeal have all the facts, copies of the written submissions are exchanged. Affected members are provided with this avenue to ensure "natural justice" is done.

All parties

- have a right to notice of hearing;
- have a right to be represented by counsel or other representative;
- may be given a rehearing if the facts of the case so warrant.

The matter is heard by the Board and once a decision has been made the parties to the hearing are notified in writing of the decision and reasons for the decision.

Where the member disagrees with the Board's decision, on the basis of interpretation of law or jurisdiction, the matter can be appealed to the Court of Queen's Bench. The appeal must be filed within 30 days of receipt of the decision of the Board.

Reasonable out-of-pocket expenses of appellants have been authorized for payment if approved by the Chairman.

APPLICATIONS

There are two types of applications for time limit extensions considered, one under Section 10 of the Act and the other under reciprocal transfer agreements.

Under Section 10, the legislation provides that, where there is a time limit under the plan, the Board has the authority to extend such time limits. The Board is required to review each case in order to satisfy itself that no material fault is attributable to the applicant. It must also be proven that the failure will or could result in a person obtaining different benefits than those he would have received had the time limits been met.

Where the pension paid to the individual can be proven to be the result of a mistake or misunderstanding the Board has authority to declare the choice revoked if application is made within 3 months and the member's circumstances have not been materially changed.

Extensions to time limits under reciprocal transfer agreements are considered under a clause in the agreement itself. The majority of agreements require two time limits to be met. One requires that a person must, within a period of three months of ceasing employment (participation) under the exporting plan commence under the importing plan. The second is the requirement that the person must apply to have the transfer made within one year of commencement under the importing plan. The Board may, if circumstances warrant, grant an extension of the time limits and permit the transfer. Extension of time limits are only granted under extenuating circumstances.

In his letter of December 16, 1986 the Minister challenged the Board's jurisdiction to extend reciprocal agreement time limits. The Minister's view is that reciprocal agreements do not form part of the Plan, and therefore time limits relating to the agreements cannot be extended under Section 10(1) of the Act. The question of jurisdiction was not resolved during the period under review by the report.

SUMMARY OF CASES

Type	#	%
Time Limits	32	73.0
Participation	1	2.0
Contributions	2	4.5
Pensionable Service	6	14.0
Disability Benefits	1	2.0
Re-employment	2	4.5
Total	44	100.0

During the period November 1, 1985 to December 31, 1986 the Local Authorities Pension Plan Board met 15 times to consider 44 cases. These appellants felt aggrieved by the decision made in their cases. Of the total cases heard, 33 were upheld by the Board and remedy provided. In 9 cases the decisions of the Minister were upheld and members' appeals dismissed. Two cases were held over and are still under consideration.

Of the appeals considered 73% related to the time limits under the plan and 2% related to benefits provided. The remaining 25% was divided between contributions, participation, pensionable service, and re-employment.

CASE SUMMARIES

The Legislature of Alberta is concerned about fairness for plan members and has established a Board with jurisdiction to review administrative decisions made by the Minister.

The purpose of these case summaries is to illustrate the nature of the cases received during the year. It is also intended that these provide assistance to plan members in developing their appeals, to employers in identifying any areas where they may have been deficient, and Alberta Treasury in developing improved procedures and systems to deliver pension benefits to plan members. We trust as well that these will provide assistance to the Minister in planning future policy and amendments.

Only written applications are considered by the Board, however many complaints are resolved at staff level.

Once the matter is presented to the Board it is normally dealt with and the member advised of the decision, including reasons, within 10 days of completion of the hearing.

CASE SUMMARY 1

L86:03:05 "... pension plan terminated by employee..."

The appellant is a married female, who opted not to participate in the plan. Later she elected to become a participant and approximately one year later requested that all her previous service with her employer be established as pensionable. The appellant was advised that to establish all her service an amount of $1,986.81 was required. On receiving the notice, in accordance with regulations, she commenced payment by payroll assignment of $20 per pay period. Approximately one year later, Payroll and Pensions advised her of an error in the calculation. The revised amount was $4,121.62, a result of the failure to assess the full charges of 11% (minus CPP contributions). The previous assessment was 5% (less CPP contributions).

FINDING

The Board found that the shortfall in the original billing was a result of an extra charge for "non-contributory service".

The member voluntarily opted not to contribute from 1975 - 1981, resulting in no employer contributions being made on her behalf. The extra charge was legitimate and required by legislation.

The appellant had sufficient time to adjust to the new costing even if she contemplated early retirement. The Minister's decision placed the appellant in the same position as all other married female employees, in that all are required to contribute at the rate of contribution she was assessed.

CONSEQUENCE OF THE DECISION BY THE MINISTER

That the appellant was required to contribute an additional $2,530.53 in accordance with legislation.

DISPOSITION BY THE BOARD

The Board vacated the Minister's decision and agreed that a refund of the prior service payment be made to the appellant, with additional interest, at the average rate of the Ten Provincial Bonds over the period.

The Board further ordered that before the refund was made that the appellant receive specific counselling on the impact of the extra service on her pension.

CASE SUMMARY 2

L86:04:05 "... an understanding employer..."

The appellant was employed as a janitor until 1985. At that time, due to a severe heart problem, he commenced receiving benefits from a Long Term Disability Income Plan (LTDI). The appellant's appeal stated that, because contributions were increased and the LTDI payment remained static, he wished to cease contributing to the pension plan. Under the condition of registration of the LTDI plan with the Pension Plan contributions are to continue toward the pension plan. This was intended to assist an individual, stricken by ill health, to be able to continue to develop a reasonable pension payable at normal retirement age. The formula required contributions to be based on the member's salary for the preceding twelve months, updated by the lesser of CPI increase or the percentage increase for the class in which the member was employed. He is now permanently disabled.

FINDINGS

That the formula used in determining the required contributions for pension purposes imposed a hardship on the individual. Disability is permanent and severe with a likelihood of reduced life expectancy.

CONSEQUENCE OF THE DECISION BY THE MINISTER

The Minister's decision in effect reduced the income received by the individual each year since contributions increased but the income from the LTDI plan remained fixed.

DISPOSITION BY THE BOARD

The Board denied the appeal by the member concluding that there were no jurisdictional grounds to vary or vacate the Minister's decision.

Under the direction of the Board, the employer was approached in an attempt to provide assistance to the individual. The contact was beneficial and an understanding employer took steps to assist the appellant.

CASE SUMMARY 3

L86:04:04 " ...plan changed,employer the same..."

The appellant was granted a period of authorized leave of absence without pay by the employer. The appellant returned to work but did not apply to purchase the period of leave. The employer transferred its pension coverage to another plan. Later the employee made application to purchase prior service. The appeal was denied by the Minister because the appellant failed to apply within a reasonable period of time to establish the service.

FINDINGS

That the policy, prior to January 1, 1984, did not specify a limit to make application for the service. The regulations changed and thereby it was considered that the service could not be purchased.

CONSEQUENCE OF THE DECISION BY THE MINISTER

Although the individual was employed by the same body who granted the leave without pay, the period of leave could not be established.

DISPOSITION BY THE BOARD

The Board vacated the Minister's decision and permitted the service to be established.

CASE SUMMARY 4

L86:05:04 " ...delayed action, service cost increased..."

The appellant terminated employment with an employer under the Public Service Pension Plan (PSPP) and later joined an employer, who also was a participant in the PSPP. The appellant delayed action in reinstating the prior period of service while under the PSPP. The status of the employer changed and became a participant under the Local Authorities Pension Plan (LAPP), all employees were transferred. Sometime later the appellant appealed to establish the period of service as pensionable. The current rate (at time of application) was used to determine the amount of contributions required to establish some 12+ years as pensionable service.

FINDINGS

All employees had been provided with notice of the higher rates being implemented and provided a grace period to establish the service at 'old rates'.

The appellant did not provide a reason for the delay in making application for the service. The request for service was over 1 year and 8 months late.

Seminars were provided to employees who would be affected by the transfer but the appellant did not act.

CONSEQUENCE OF THE DECISION BY THE MINISTER

The consequence of the Minister's decision was to increase the cost of the service from $6,500 to $178,000.

DISPOSITION BY THE BOARD

The Board denied the appeal on the grounds that the individual was the master of his own misfortune. Steps should have been taken to reinstate the service when he first was re-employed.

CASE SUMMARY 5

L86:02:03 " ...5 years in costing service..."

The appellant applied to have a period of service established as pensionable, five years later the member was billed an additional charge of $2,000+. The appellant appealed the decision on the basis that undue administrative delay in costing increased the cost of the service substantially.

FINDINGS

There was undue delay in providing the costing of the service.

There was no record to indicate that the cost was established before being issued to the appellant. The member followed up the original application without success.

Employer contacted Payroll and Pensions to determine if there was a problem in providing costs, the response was "appellant not near retirement therefore the file was not a priority claim."

CONSEQUENCE OF THE DECISION BY THE MINISTER

The consequence of the Minister's decision resulted in the cost being increased by 22%.

DISPOSITION BY THE BOARD

The Board vacated the Minister's decision and allowed the service to be established without the additional interest.

CASE SUMMARY 6

L86:06:07 " ...partial disability pension granted, total disability warranted..."

Appellant made application for a disability pension from the Local Authorities Pension Plan. At the same time application was made to the Canada Pension Plan for a disability pension. The medical consultant engaged on behalf of the Minister advised that the medical condition warranted a partial disability pension.

FINDINGS

The period of service, 5.0396 years, resulted in a small pension. Medical reports indicated the appellant was incapable of performing his own tasks and cautioned against any employment because of the condition. On the basis that there was no encouragement for improvement of health of the appellant the Canada Pension Plan granted a total disability pension on the first application.

CONSEQUENCE OF THE DECISION BY THE MINISTER

The appellant received a pension of some $40 less per month.

DISPOSITION BY THE BOARD

The Minister's decision was vacated and the Board granted a total disability pension effective the date of first application.

CASE SUMMARY 7

L86:06:04 " ...reliance on original advice restricted earning power..."

Appellant made application to purchase a period of prior service. The administration provided the advice and the individual made payment.

The appellant, relying on the information received that the prior service had been paid, decided to retire. Termination of employment occurred and the appellant made application for retirement. A letter was forwarded to the appellant stating that an additional $1,200 was required to complete payment of prior service or the pension would be reduced. The appellant had considered retirement seriously and decided she could retire on her pension in combination with other family income. The budget established could not be sustained on the reduced pension and the family did not have sufficient funds to pay the additional demand. The appellant attempted to return to her employment but was told it was not possible as the position had been filled. With limited skills, the appellant could only obtain employment at close to minimum wage. At this level of income, she and her husband (who was disabled) would be very hard pressed to maintain a reasonable standard of living.

FINDINGS

The appellant had taken all steps necessary to secure information from the appropriate source. Based on the information received, she terminated employment and applied for a retirement pension.

After termination, she was advised that there was still an outstanding amount owing of $1,200. The appellant attempted to find re-employment to no avail.

CONSEQUENCE OF THE DECISION BY THE MINISTER

The appellant was unable to retire and, because of circumstances, unable to obtain suitable employment.

DISPOSITION BY THE BOARD

The Board vacated the Minister's decision and considered the service paid in full.

CASE SUMMARY 8

L86:06:06 "... a question of age discrimination..."

Legislation enacted November 1, 1985 required employees attaining age 65 to contribute to the plan and receive credit for service. At the same time the legislation "locked out" persons who continued to be employed but reached 65 before November 1, 1985.

The appellant commenced employment August 1, 1965 and, after a year of probation, commenced contributions to the plan. He reached 65 years of age May 29, 1985 and had received permission to continue employment. The Minister advised the member that he could not continue to participate and accumulate credits under the plan. The member was forced to select a pension option within 3 months of his 65th birthday. The appellant acquiesced and chose a 10 year guaranteed pension.

During the month of December 1984 the appellant requested information as to what changes would occur if he continued employment. He was advised that it would have no impact on his pension benefit since salary and service after age 65 would not count.

The appellant registered an appeal with the Board. Since he was still employed, and legislation had now changed, he requested permission to:

a. continue to contribute and accrue service,
b. be allowed to pay for service during the period after his 65th birthday, and
c. as a result be allowed to make a new pension choice upon retirement.

FINDINGS

That an identifiable class of persons had been created, those reaching age 65 prior to November 1, 1985 and still employed, and had been discriminated against by virtue of the legislation.

CONSEQUENCE OF THE DECISION BY THE MINISTER

The appellant was unable to have salary and service after age 65 recognized for pension purposes. Furthermore, he was restricted to the pension choice made under the old legislation.

DISPOSITION BY THE BOARD

The Board allowed the appeal and ordered the reinstatement of the member, effective November 1, 1985, and that his original pension choice be revoked.

ADVISORY FUNCTION

Legislation provides that the Board may advise the Minister respecting any functions or matters relating to the Plan, including:

(a) the adequacy of contributions to meet benefits,

(b) adjustments to protect pensioners from inflation,

(c) rates of interest for the purposes of the Plan,

(d) benefits,

(e) reciprocal agreements,

(f) recognition of prior service,

(g) eligibility and participation in the Plan, and

(h) the actuarial tables prescribed or to be prescribed by the Minister.

RECOMMENDATIONS

In its responsibility as advisor to the Minister, the Board made several recommendations during the year. The following provides an overview of the recommendations made. The response received and outcome of each recommendation are also provided.

During the year 14 recommendations were made suggesting improvement of the plan or its delivery.

14 Recommendations	9 Plan Improv.	1 Admin. Improv.	4 Other
100%	64%	7%	29%

(APPROX)

Staff of the Board develop reports and provide research information to the Board in order that Board members are fully informed on the matters before them. The reports include a review of the norms of the industry and how other jurisdictions have dealt or are dealing with the topics.

Comments on pension reform in Canada and how it impacts upon our plan is outlined. Usually a series of options are presented for consideration.

Where necessary statistics from areas outside of Canada are also provided to ensure full consideration of all relevant statistics and information.

The reports are usually refined and developed into a Board report. The recommendation is then forwarded to the Minister for his consideration.

Where possible the Board joins other Government Pension Boards in presenting a unified recommendation to the Minister.

RECOMMENDATION I

L86:03:03 *CREDITED INTEREST*

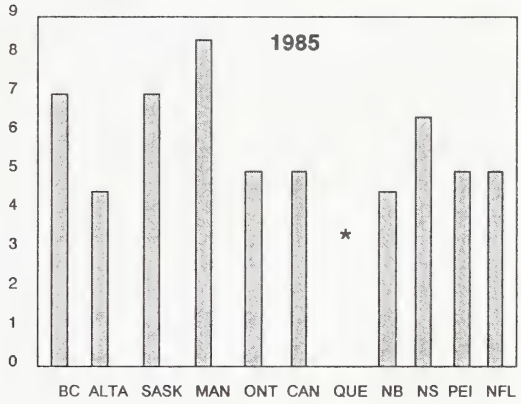
Background:

Currently, participants' contributions are credited with interest at 4% compounded semi-annually. This basis has been in place since July 1, 1966 when the rate changed from 3% per annum. In March 1986 the Board recommended that the credited interest rate be increased to the average rate paid on non-chequing savings accounts for the previous year, as reported by the Bank of Canada.

Subsequently, the provincial authorities regulating private sector pension plans reached a consensus on crediting interest. Private employers are provided an option to credit interest on pension contributions either at gross fund yields less administrative expenses charged to the fund; or based on the 5-year personal fixed term chartered bank deposit rates over the previous fiscal year.

The following chart provides an illustration of the current situation in Canada.

PUBLIC SERVICE INTEREST RATES



Interest Credited in other Public Service Plans in Canada on current contributions

* interest based on fund earnings
1-2 yrs 60% of fund int.
3-5 yrs 85% of fund int.
+5 yrs 90% of fund int.

RECOMMENDATION 2

L85:12:06
L85:12:05 *COST OF LIVING ADJUSTMENT*

Each year the Board provides a recommendation to the Minister in respect of adjustments to the pensions. The Board reviews the Consumer Price Index (CPI) trends during the year and in light of various other benefits granted to pensioners develops its position.

Historical Increases

In 1969, the Government of Alberta amended the Local Authorities Pension Act to authorize the Lieutenant Governor in Council to make adjustments in pensions for the purpose of maintaining an approximate parity with the cost of living.

The new Pension Acts effective November 1, 1985 contain the following provision:

"Notwithstanding anything in this Act, the Lieutenant Governor in Council may by regulation, for the purpose of maintaining approximate parity with the cost of living, make adjustments in the amount payable as pensions."

RECOMMENDATION

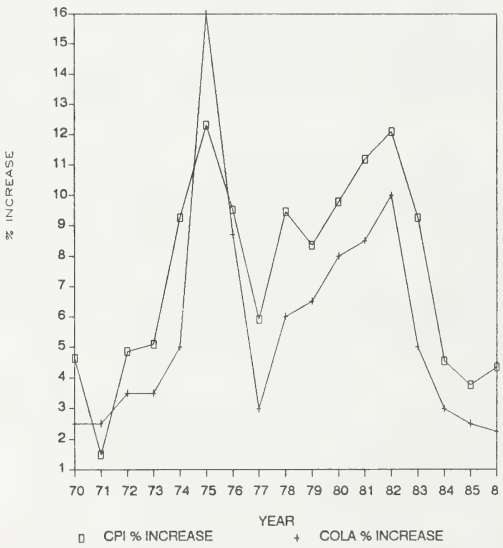
The Board recommended that pensions being paid under the Local Authorities Pension Plan Act be adjusted by 2.5% as of January 1, 1986 and that the Alberta Government adopt a statutory formula basis for cost of living adjustments.

Current Status

The Lieutenant Governor in Council in the past authorized adjustments to the recipient of pensions under the Local Authorities Pension Plan on a pro-rata basis. The proration was directly related to the date of retirement. The maximum adjustment for those who retired prior to December 31, 1985 was 2.5%. In the years 1970 through 1986, COLA has been consistently applied on an ad hoc basis with the result that the average annual compound increase over this period represents 76% of the Canada CPI and 80% of the Alberta CPI. A comparison of the previous adjustments is outlined below.

ALBERTA PENSION PLANS

CPI VERSUS COLA



Participants' contributions are scheduled to rise until 1989. At that time the contributions will be sufficient to fund some COLA on future pension benefits. The Board's concern is that levels of COLA to be granted are not defined in legislation.

RECOMMENDATION 3

L86:07:02 (Reaffirmed by L86:12:04)
L86:12:03 *PENSION OPTIONS*

a. Joint-Life Options

The current legislation requires the retiring member to select a joint-life option on retirement, if the member has a spouse.

Several members have expressed a concern that in imposing a joint-life option, the plan places their investment in jeopardy. If both partners died shortly after retirement, the members' contributions would be lost to the member's estate.

RECOMMENDATION

That joint-life pension options be enhanced by inclusion of a guarantee period of five years.

b. Co-ordination with Canada Pension Plan

The Canada Pension Plan (CPP) was recently amended to permit the receipt of the benefit at age 60. Retiring members, who retire prior to age 65, are permitted to co-ordinate their pension with the CPP. This option permits a relatively level income to be received over the retirement of the individual.

RECOMMENDATION

That coordination options be made available to persons retiring prior to age 60 and that it be modified to reflect receipt of reduced benefits from the Canada Pension Plan at age 60.

Current Status

The Minister advised that the Boards' recommendation will be considered when the overall review of the plan is completed.

EXCERPTS FROM THE LOCAL AUTHORITIES PENSION PLAN ACT

Division 2

The Local Authorities Pension Plan Board

Establishment, composition, term of office, etc.

5(1) There is hereby established a board known as the Local Authorities Pension Plan Board.

(2) The Board shall consist of not fewer than 5 persons appointed members of the Board by the Lieutenant Governor in Council.

(3) The Lieutenant Governor in Council shall appoint 1 of the members of the Board from among participants and another from among persons nominated by the employers.

(4) A member of the Board holds office for the term fixed in relation to him by the Lieutenant Governor in Council.

(5) The Minister may prescribe the remuneration and expenses to be paid to members of the Board.

(6) The Board may make rules respecting the calling of and the conduct of business at its meetings.

Chairman and vice-chairman

6(1) The Lieutenant Governor in Council shall designate one of the members of the Board to be the chairman and another member to be the vice-chairman of the Board.

(2) The vice-chairman shall act as chairman when the office of chairman is vacant or when the chairman is absent or unable to act.

Support services

7 The Minister shall provide such supplies, services and accommodation as he considers necessary to enable the Board to fulfil its objects.

Objects of the Board

8 The objects of the Board are

(a) to conduct the hearing of appeals under Part 6;

(b) to provide advice to the Minister under section 9;

(c) where appropriate, to extend time limits and treat benefit choices as revoked under section 10;

(d) to exercise and perform any other powers and duties assigned to it by this Act and the regulations;

(e) to perform any other duties relating to the Plan that are assigned to it by the Minister.

Advisory functions of the Board

9 The Board may advise the Minister respecting any matters relating to the Plan, including

(a) the adequacy of contributions to meet benefits,

(b) adjustments to pensions under section 27,

(c) rates of interest for the purposes of the Plan,

(d) benefits,

(e) reciprocal agreements,

(f) recognition of prior service,

(g) eligibility and participation in the Plan, and

(h) the actuarial tables prescribed or to be prescribed by the Minister.

Board's power to extend time limits, etc

10(1) Where

(a) a person fails to meet a time limit under the Plan,

(b) the failure will or could result in a person's obtaining different benefits then those he would have obtained had the time limit been met, and

(c) the Board is satisfied that the failure results from circumstances that import no material fault on the part of that person,

the Board may, on application to it, extend the time limit.

(2) Where

(a) the circumstances set out in subsection (1)(a), (b) and (c) apply,

(b) the benefit has been received or has commenced to be paid, and

(c) the Board is satisfied that a choice, including a deemed choice, that would otherwise be irrevocable under section 40(2) could materially prejudice the best interests of the recipient or his dependents,

the Board may, on application to it, treat that choice as revoked, extend the time limit for making the choice and order any consequential adjustments in the benefits.

(3) Where

(a) a benefit choice has been made, and

(b) the Board is satisfied that

(i) the choice communicated to the Minister was not that which the person making the choice actually intended, and

(ii) the application mentioned in this section does not result from a change in a person's circumstances affecting the choice,

the Board may, on application made to it within 3 months from the date when the benefit was received or commenced to be paid, treat the choice as revoked and substitute for it the choice which, in the Board's opinion, the person originally intended to make and order any consequential adjustments in the benefits.

PART 6
APPEALS

Appeal to the Board

35(1) A party aggrieved by a decision of the Minister under or in relation to Parts 2 to 5 or the prescribed provisions of the regulations, other than a decision under section 32 or one that could be the subject-matter of an application under section 10, may appeal against that decision to the Board.

(2) A party wishing to appeal to the Board under this section must serve the chairman of the Board with a notice of appeal in the form prescribed by the Minister within 30 days of being notified in writing of the decision appealed against or within such longer period as the Board may, on application, allow.

(3) The notice of appeal must specify the decision appealed against and the grounds of appeal.

(4) The Board may identify persons who may be interested in the appeal and may give directions as to the persons to be served with the notice of appeal, whether or not they are parties.

(5) For the purposes of conducting an appeal under this section, the Board

(a) has all of the duties, power, privileges and immunities given to a commissioner appointed under the Public Inquiries Act by sections 3, 4, 7 and 9 of that Act, and

(b) shall be deemed to be a person authorized for the purposes of section 1(a) of the Administrative Procedures Act.

(6) The Board may confirm, vacate or vary the decision appealed against.

(7) The Board shall serve the appellant and persons who received a notice of appeal with a copy of its decision, including the reasons for the decision.

Appeal to the Court of Queen's Bench

36(1) A party aggrieved by a decision of the Board under section 35 may, within 30 days of the date of service of the Board's decision on him or such longer period as the Court may allow, appeal to the Court of Queen's Bench on a question of law or jurisdiction.

(2) The procedure in an appeal to the Court of Queen's Bench shall be the same as that provided in the Alberta Rules of Court for applications by originating notice.

(3) The Court of Queen's Bench, on hearing the appeal, may confirm, vacate or vary the decision of the Board or make any order it considers just.

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